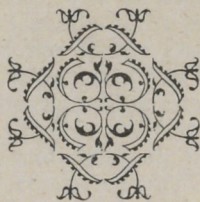


World's Grain Market

*A Summary
of Market Conditions
During
The Last Two Years*



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World's Grain Market

The recent marketing situation which has developed such extraordinary interest and unusual publicity during the past two years, has been characterized by a very wide divergence of opinion as to the factors and agencies which have been held responsible for the situation as it developed. In order to illustrate this divergence of opinion we quote herewith an extract from "The People" under date of February 9, 1930, in which the Canadian Wheat Pools are violently attacked as being responsible for an endeavor to put the price of bread to the British consumer at prohibitive levels. The following is excerpted from an article prominently placed in the above paper:—

"In the vast granaries of Canada today there are 140,000,000 bushels of wheat that in the ordinary course of events ought by now to have been consumed by the world. It is difficult to imagine the mountain of grain which this figure represents, but in effect it means that practically the total amount of last year's harvest is stored away Since Canada is the greatest wheat producing country in the world, what the Wheat Pool has really been trying to do is to make a corner in wheat, and now it looks like being beaten exactly as every kind of wheat gambler has been beaten in the past by the visible supply This is not a question of dumping, but merely the law of supply and demand, freely operating in other countries, but artificially restricted in Canada. The Canadian Wheat Pool last year deliberately held back its grain for better prices. If the Argentine crop had failed we should have been forced to buy from the Wheat Pool at its own price The Canadian Wheat Pool has brought this crisis upon itself. It may be very hard lines on the farmer, but it is unthinkable that the British public should ever be called upon to foot the bill for a huge Canadian gamble, which could never have been successful except at our expense."

An altogether different opinion is to be found, for example, in the annual report of The Montreal Board of Harbour Commissioners, from which the following is extracted:—

"During the drastic decline in prices in May, as well as during the spectacular advances which followed, and which, with recessions have been sustained at Winnipeg and at Chicago, there have been at times clamorous fault-findings with the Canadian Pool because of its assumed policy of withholding wheat from the foreign markets, except at a price level which these markets have consistently refused to pay throughout the season; all of this greatly to the detriment of

Canadian trade, transport and shipping interests, freight and exchange prices, etc. This might be a tenable complaint if the Pool controlled the Canadian export surplus, whereas the fact is that that organization has at no time controlled as much as 60 per cent. thereof. The remaining 40 per cent. and upwards, being outside the Pool, is wholly free to accept business at its discretion, and thus to affect the cash and option markets with a volume of actual grain not far short of the quantity in control of the Pool. The export figures which I have cited further demonstrate that the Pool has been supplying such export demand as existed, and has, in fact, conducted an extremely tactful and skilful merchandising program throughout these two singular crop years."

The above quotations are selected merely because they represent widely divergent views of a situation which can only be adequately explained by a thorough understanding of the entire world marketing situation as it has developed over the past two years in particular. This pamphlet has been prepared especially for members of the Saskatchewan Wheat Pool in order that they may secure at least a general understanding, not only of world wheat markets and the factors which play a part in determining price levels for the principal source of revenue in Western Canada, but also in order that they, as members of a great farmers' co-operative marketing organization, may realize more completely than would otherwise be the case, the responsibilities which have been thrust upon the Wheat Pools of Western Canada due to the increasing difficulties of selling Canadian grain in world markets during the past year or more.

Supply and Demand

To understand the complexity of present day wheat marketing it is necessary to approach the consideration of this question from different angles. A mere consideration of the quantity of wheat produced in a single year, or over a period of years, together with the quantity normally imported, is by no means sufficient, as we shall attempt to show; because, while production is a fairly simple matter, resulting annually in the availability of so much wheat for sale by all surplus producing countries, the other side of the picture, namely, the consumption of wheat and especially the importation of wheat by normally deficient countries, is subject to so many influences as to develop an extraordinary complexity at times.

It is, therefore, important that we be not too easily satisfied with the mere statement that supply and demand govern prices. It is true that they do, but neither supply nor demand are represented by any single, tangible factor. For example, supply, either actual or potential, may be changed over night by a disastrous frost, an unusually heavy wind, excessive wet or cold weather, or an epidemic of disease in some large exporting country. Demand may likewise

be affected by an extreme shortage in supply, or by an extremely heavy export movement, or by an unusual production of wheat and its food substitute, such as rye or potatoes. Demand, too, may be influenced by trade restrictions of various kinds, including tariffs, milling restrictions in importing countries, and by other governmental measures.

The world market price for wheat or any other grain is itself an intangible thing, though more nearly approximated in some cases than others — British parcel prices, for example. It is really a weighted average of the going prices day by day in all of the principal importing countries. Great Britain imports more wheat than any other importing country, and because she imports wheat from many different countries under conditions of free trade and without restriction of imports, it naturally follows that British prices for wheat more nearly reflect actual world conditions and world prices than do the markets in any other country. The history of the British Grain Trade is an exceedingly interesting one, and is well worth a special study by any Canadian farmer, not only because of the importance of the British market, but because such a study enables one to appreciate the significance of the grain trade in the rise of British shipping and British trade.

The International Situation

In order that we may understand the present international wheat situation, it is necessary that we go back at least to 1928, because it was in that year that there was experienced the unusual coincidence of a record wheat production in Canada, the United States, the Argentine and Australia, which are the world's chief wheat exporting countries, and also a record production of wheat in the countries of Europe.

Because of the fact that we in Canada look to Great Britain and Europe for the disposal of the bulk of our surplus each year, we are prone to think of Europe almost altogether as a consuming and importing area, and to leave out of the picture the huge quantity of foodstuffs which are annually produced in Europe under the relatively intensive form of agriculture practised there. As a matter of fact, Europe normally produces as much wheat as Canada (the largest wheat exporting country) and the United States (the largest producing country) combined, or in excess of 1,200,000,000 bushels. An abnormal production such as was secured in 1928 could easily make Europe entirely independent of the total wheat surplus of any one of the four chief exporting countries, with the possible exception of Canada. As a matter of fact, Europe produced in 1928 more than 1,400,000,000 bushels of wheat, or approximately 200,000,000 bushels more than her normal wheat crop.

Prices were naturally lower than in previous years, not only for the Canadian farmer, but for most European farmers as well.

The huge 1928 world wheat crop, however, moved fairly freely into consumptive channels; so much so that the international trade in wheat for 1928-29 amounted to the record quantity of 935,000,000 bushels.

Notwithstanding this unusually heavy export movement, the pressure of a world crop of 3,945,000,000 bushels in 1928-29, as compared with 3,481,000,000 bushels, which was the average for the years 1923-27, could not have resulted in other than very large carryovers in 1929-30. Thus, the world carryover which from 1923 to 1927 had averaged 314,000,000 bushels, was increased to 625,-000,000 bushels at the close of the crop year 1928-29, or almost double the five-year average. Of this carryover Canada had 104,000,000 bushels, the United States 262,000,000 bushels, the Argentine 120,000,000 bushels, and Australia 45,000,000 bushels, the balance being taken care of by the carryover in Europe and in other countries, exclusive of Russia and China.

The accompanying table shows in some detail the average production, exports and imports, of all of the important consuming or producing countries for the five-year period, 1924-28, as well as corresponding, but in some cases preliminary, figures for the years 1928 and 1929. The figures for the years 1924 to 1928 are taken from the Year Book of the International Institute of Agriculture at Rome, while the preliminary figures for 1929 are taken from the most recently issued year book of the United States Department of Agriculture. In certain cases revisions have been made in line with more recent estimates. An examination of these figures indicates something of the problem of wheat marketing during the past two years, so far as this problem is directly related to the increase in supply.

TABLE I.

STATISTICS SHOWING WHEAT PRODUCTION AND EXPORTS OF IMPORTANT EXPORTING COUNTRIES FOR 5-YEAR PERIOD, 1924-1928 AND 1928 AND 1929. FIGURES FOR 1929 ARE PRELIMINARY

	Average 1924-1928		1928		1929
	Production	Exports	Production	Exports	Production
Canada.....	413,970,000	260,498,062	552,493,759	364,005,435	299,899,000
United States.....	827,369,000	130,629,269	930,233,335	95,915,424	806,508,000
Argentina.....	229,029,170	138,823,716	342,162,550	194,971,860	170,175,000
Australia.....	142,945,498	69,832,438	158,875,857	58,199,065	125,000,000
India.....	326,755,231	14,238,399	287,681,109	4,292,236	317,595,000
TOTAL.....	1,940,048,899	614,021,884	2,271,446,610	717,384,020	1,719,177,000

TABLE II.

STATISTICS SHOWING WHEAT PRODUCTION AND IMPORTS OF IMPORTANT EUROPEAN COUNTRIES FOR 5-YEAR PERIOD, 1924-28, AND 1928 AND 1929. FIGURES FOR 1929 ARE PRELIMINARY.

	Average 1924-1928		1928		1929
	Production	Imports	Production	Imports	Production
Germany.....	112,550,512	70,806,766	141,040,516	90,506,735	123,090,000
Austria.....	10,653,594	8,163,187	12,866,704	8,350,118	11,582,000
Belgium.....	14,850,805	42,684,014	17,916,249	43,525,016	15,995,000
Bulgaria.....	38,930,223	.....	50,493,360	.....	33,140,000
Denmark.....	9,164,801	6,173,637	12,166,755	9,351,633	11,758,000
Spain.....	138,593,055	2,618,291	119,417,316	11,566,134	154,266,000
France.....	279,047,045	46,439,255	280,187,713	37,623,914	319,863,000
Italy.....	210,383,974	84,637,346	227,706,168	100,103,269	260,669,000
Gt. Britain and Ireland.....	53,363,044	205,462,518	50,748,199	201,697,253	49,767,000
Greece.....	11,436,142	14,436,361	13,034,343	17,421,307	8,481,000
Poland.....	53,625,032	4,019,460	58,987,784	8,275,666	60,259,000
Portugal.....	10,081,444	.....	7,516,352	.....	11,110,000
Roumania.....	99,275,703	.....	115,093,714	.....	99,752,000
Yugo-Slavia.....	73,254,263	.....	102,891,243	.....	94,998,000
Sweden.....	13,408,081	8,837,355	19,080,751	9,632,860	18,724,000
Czecho-Slovakia.....	40,716,494	9,198,773	51,298,414	10,937,972	48,065,000
Netherlands.....	5,847,403	21,891,924	7,306,059	20,885,863	4,666,000
Norway.....	.....	3,406,948	.....	3,617,105	.....
Switzerland.....	3,789,857	15,697,275	4,230,960	16,767,946	.....
Hungary.....	74,567,208	.....	99,211,000	.....	71,853,000
TOTAL.....	1,253,538,680	544,473,110	1,391,193,600	590,262,791	1,398,038,000

The Argentine

In any consideration of supply in relation to the year 1928-29, it is necessary to make special mention of the manner in which the extraordinary crop of the Argentine was marketed during that year. For the five-year period of 1924-28, Argentine production averaged 229,000,000 bushels, of which she exported an average of 138,000,000 bushels. Her crop of 1928, however, while at first estimated to be in the neighborhood of 306,000,000 bushels, was later found to be 342,000,000 bushels, of which she exported 232,000,000 bushels during 1928-29. The Argentine had a carryover of 120,000,000 bushels into 1929-30, but the quantity of this carryover was not quickly realized by world markets because of the lack of any official Argentine estimate of her 1928 production.

The Argentine, therefore, continued to pour into Great Britain unexpected quantities of wheat during August and the succeeding months of 1929, notwithstanding that her 1929 crop was only about half her 1928 production. The situation is very clearly set forth by G. J. S. Broomhall, the international Grain Trade Statistician, writing in *The Times Trade and Engineering Supplement* of May 24, 1930. Broomhall says:—

“From August onward the Continent almost ceased to import wheat. Continental countries had supplies in abundance, and in a general way they refused to buy for import. Argentine wheat was flowing to Europe in a big stream, which could not safely be dammed back at its source, owing to lack of proper storage facilities.

The one chance for owners to avoid ruinous losses was to bring the wheat to Liverpool, and this course they adopted."

It is significant of the eagerness with which Argentine wheat was supplied to European markets at this time that her best quality wheat, which normally sells at within two or three cents of the price of Canadian 3 Northern, was selling repeatedly at this time at as much as 31 cents below 3 Northern. Writing further on this point, Broomhall says: "It may be mentioned that in the latter half of 1929, all the distressed Argentine wheat was not sent to Liverpool; other United Kingdom ports got their share and even took supplies from Liverpool. The quantity accumulated in Liverpool at the peak of the movement was 12,000,000 bushels. This amount included wheat in the regular silos, in other warehouses, in improvised stores, and shipped in ship holds. Much of the wheat was tendered in December and then carried forward for tendering in March. The wheat has been on sale more or less all the time, and it has been drawn upon as needed by local and other British millers, and to some extent by foreigners."

Affected Canadian Sales

It should be borne in mind that as at July 31, 1929, the Canadian Wheat Pool had a carryover into 1929-30 of about 52,000,000 bushels, which was reduced to something over 48,000,000 bushels by the end of August. This comparatively slight reduction in carryover is significant of the conditions at that time, which were referred to above, in the extract from Broomhall. Although Canadian Pool wheat was offered at prices below Winnipeg levels, it was not possible to sell it in substantial quantities owing to the pressure of Argentine wheat on the market, and it seemed nothing short of suicidal policy to force sales at the levels which would have been necessary in order to effect them. It should be borne in mind also that the carryover from 1928 represented a crop which was comparatively low in quality, a very large proportion of which was frosted to a greater or less degree; and also that this carryover, if it was to be sold, had to be in competition with the exceptional high quality of the Canadian crop of 1929.

The Present Marketing Year

So far, we have considered the condition up to the end of the crop year 1928-29 and have said nothing as to 1929 crop conditions. When we turn to this aspect of the present problem, we find a condition which is radically different in some respects. Instead of bumper crops from the major exporting countries, such as had been experienced in 1928, these countries in 1929 had heavy carryovers and short crops. Total world supplies, while 344,000,000 bushels less than for 1928-29, were still 229,000,000 bushels greater than the average for 1923-27. A great abundance of wheat supplies

was present in Europe due to another extremely heavy European wheat crop in 1929. Europe had again produced 200,000,000 bushels more than her normal production. To quote Broomhall again:—

"After the harvests of last summer and autumn were gathered, it was found that Continental countries did not need to import wheat and feeding grain—for three reasons: first, the harvests had yielded an abundance for man and beast, and in some lands a great abundance; secondly, the quality and condition of the new wheat was so good that it could be used at once and freely; thirdly, nearly all countries carried liberal stocks of native or imported wheats, the latter having been purchased partly owing to temptingly low prices and partly owing to the expectation of higher import duties. That expectation was subsequently justified by the imposition of higher duties in France, Italy and Germany.

"Needless to say, growers in exporting countries and shippers had not foreseen such a remarkable increase in Europe's available supplies. When she found that the usual buyers were not needing supplies, Canada proceeded to store the new crop and to a ^{aid} a better market, although very liberal supplies of the big 1928 harvest were still in the elevators. Argentine, on the other hand, could not, or would not, hold her wheat, and a large stream of this cereal continued to pour from her ports throughout the autumn and early winter. The United States, however, did very little on the international market at that time, as the Government was elaborating a scheme to get higher prices for the farmers.

"Thus, the international market was practically controlled by Canadian growers and British merchants. If Canada had rushed forward the usual heavy autumn shipments through Montreal, wheat prices would certainly have fallen to a very low point, the market would have broken, and the burden of low prices would have been felt by growers in Great Britain and elsewhere much more severely."

Speculative Price Levels

It is readily seen, therefore, that wheat prices in Winnipeg during July and August particularly, when they had risen from a low of \$1.04 in May to nearly \$1.80 in July were at purely fictitious and speculative levels. The immediate prospect in Canada of a short crop, blinded the public to the possibility of generous supplies from other producing countries and a soaring market enmeshed thousands of small uninformed speculators who are almost always chiefly responsible for carrying speculative markets beyond the bounds of reason. As stated by Broomhall, had the Pool pressed the market the latter would have collapsed like a house of cards, and there would have been no predicting at what level it would have been possible to stabilize it. It is true that the enormity of European supplies was not realized in the early autumn months of

1929; nor was it possible to predict the after events of a political character in Europe, induced by a desire to assist European agriculture, which had suffered from the low prices which always accompany heavy production in agriculture.

Indeed, we may quote here from an official statement issued in May, 1930, by the Central Selling Agency and prepared by President McPhail and D. R. McIntyre, Assistant Sales Manager, of the Central Selling Agency, both of whom visited Europe during the winter months. Dealing with the points referred to above this statement says:—

"Last summer when Canada was threatened with a crop failure through an abnormally dry season, a 'bull' movement developed and prices on the Winnipeg market went to higher levels than they should have, due to the quantity of low grade wheat still unsold from the 1928 crop and the lack of a sufficient supply of contract grades in the necessary positions for delivery on the futures market. The Pool lost no opportunity to sell actual wheat all last summer and fall. Had the Pool taken an aggressive attitude in deliberately pressing wheat on the market we would simply have precipitated last fall the drastic slump in prices which occurred this spring, and your Pool would have been held up everywhere as the organization responsible for such a condition. Moreover, we did not consider last fall's price levels of from \$1.35 to \$1.55, unjustified. We may as well admit that the Pool, as well as at least ninety per cent. of the grain trade, did not anticipate the conditions which developed during the closing month of last year and the present year; but even had we foreseen the situation it is doubtful if any policy other than the one we have followed would have materially changed the final outcome. A price crash last fall might have been even more disastrous and have resulted in a longer period of low price levels, than the fall in prices last winter and spring."

So far we have been considering the present grain marketing situation largely from the point of view of the price of our wheat in its relation to the supplies of wheat available from the principal exporting countries. Again let us emphasize the fact which has been generally stated in previous paragraphs, that the wheat market cannot be adequately explained on the basis of the surplus which producing countries have to sell. Experience since 1928 alone has vividly demonstrated that supplies of wheat in importing countries, together with world conditions of far-reaching economic significance, and the measures which may be taken by governments of all countries to protect the industries of their respective peoples, combine to complete the picture which is necessary before the world grain situation can be fully visualized. Let us, therefore, examine some of these factors which have their origin in general world conditions, or in one or more of the countries which normally require to purchase imported wheat.

Economic Adjustment

Before beginning this examination in some detail, we should first bear in mind that the period of practically twelve years intervening between the close of the war and the present time, has witnessed some of the most rapid and important economic adjustments known to history. The fact that practically all countries were, in one way or another, engaged in the war, meant that practically the entire world was involved in the readjustment to peace conditions which necessarily followed its close. The period of inflation and very high prices which persisted after the close of the war was followed by a rapid deflation process and a world-wide depression. Practically all countries had been forced to abandon the gold standard for their currency and it was necessary to regain financial stability. Europe was engaged in rehabilitating her farms and industries following the devastation of battle; and agriculture generally through the world suffered, as always, through lack of organization, imperfect distribution and lack of stability.

Some measure of world stability was promised by a temporary settlement of the reparations question in 1924, and a period of relative prosperity ensued, with a great inflow of credit to Europe, principally from the United States. Great Britain had begun to make provision for the settlement of her war debt. France was making rapid strides toward rehabilitation of her war-torn areas, and meanwhile, industry resumed at a very much accelerated pace the process of combination, amalgamation and mass production, which had begun before the war and had been rendered imperative by the herculean efforts needed to carry on the four years' struggle. In varying degrees prosperity was evident on every hand and some thirty or more countries were able to stabilize their currencies and work effectively toward a peace-time basis.

To a considerable extent, however, as has now been made amply evident, this apparent prosperity was not without its weaknesses. It has, in the first place, been more or less artificially stimulated. Successive governments in various countries were struggling for the favor of their respective peoples, and various expedients were resorted to with a view to making their countries self-sufficient in the economic and political fields. Many European countries, too, had either lost old territory or acquired new: Internal adjustments were difficult and many, and tariff barriers multiplied themselves while national jealousies were rampant. International trade and the keen rivalry it inevitably bred gave Great Britain her serious unemployment problem. The settlement for war debts required markets for export products in order that national income might be increased.

In North America industrial progress was phenomenal; mass

production and huge profits were the order of the day; stock values loomed to unheard of heights. Overshadowing the solid structure of industrial progress led by the United States and in which Canada as well as other countries, was sharing, there was erected a flimsier, speculative covering. The spirit of optimism was complete and the shadow was mistaken for the substance.

The final settlement of the reparations question in 1929 by the adoption of the Young Plan, removed the necessity for artificially stimulating Europe. At last it was known what reparations actually must be paid and how. The tremendous lure of capital to the New York stock market drew on the too-scanty European stocks of gold. Inevitably the flimsy structure gave way and toppled with a crash in October, 1929.

Coincidental with the industrial and general conditions, European agriculture and the agriculture of most other countries as well, including Great Britain, the United States and Canada, was undergoing a much less happy process of adjustment. Agriculture, unlike industry, cannot add to the cost of production a percentage for profit and charge the consumer with the result, except over a long-time period. Certainly, the individual farmer cannot do so. Neither can the agriculture of a single country do so, except under the protection of tariff barriers or other trade restrictions. No such protection is open to the Canadian grain grower who must sell his production on an export market, but in European consuming countries the situation is quite different, and there is required only the urge for "self-sufficiency" to lead European governments to all kinds of impositions against imported products.

So long as crops were not abnormal in size and money was reasonably plentiful, this urge was not so pronounced; but with abnormal world crops combined with unemployment, low prices, and an intensified race for a share of the world's trade, the urge became all-impelling and the barriers against foreign foodstuffs were rapidly erected.

Thus, to use the illustration in which we are vitally interested as exporters of wheat, and to refer again to the figures of world production in 1928 and again in 1929, the abundance of foodstuffs in Europe as well as other importing countries, impelled European Governments to give consideration to their agricultural industries, with the result that the measures they have taken reacted, in one way or another, very unfavorably upon our ability to readily dispose of our export surplus. For this reason it would undoubtedly be of interest to review briefly some of the restrictive measures which have been applied by other countries and which have affected the sale of Canadian wheat.

Germany

Three years ago Germany appeared to be one of the most prosperous of European countries, while at the present time con-

ditions have changed markedly for the worse. The areas of cereal production in Germany are so located that the eastern portion of the country is the heaviest producing area, while the western and southern portions normally required to import cereals, especially wheat. Economic conditions make it easier for Germany to export any surplus produced in the east, and to import the additional requirements of the West and South. German efforts to protect wheat producers against a depression in domestic wheat prices have been greater than those of any other country. Because of the geographical character of her grain production Germany revised the "import certificate" system, which she originated thirty years ago, and authorized the use of an import certificate to be obtained by exporters of wheat and certain other grains, which certificates can be used later in payment of import duties on the same kind of grain from other countries. This system encourages the export of wheat from the surplus producing areas and tends to encourage imports into parts where the domestic supply is inadequate. The system of import certificates has also been supplemented by increased tariff duties and milling regulations. In July, 1929, the German duty on wheat was raised from 32 to 42 cents per bushel for "the most favored nation"; on January 20, 1930, it was increased to 62 cents; on March 27 to 78 cents; and on April 25 it was increased to 97 cents. With the increase in duty made last July, there was a simultaneous requirement that 30 per cent. of home-grown wheat be used by German mills in their operations. Thirty per cent. was the minimum and they were to use 40 per cent. during the first four months of the season. Later, this milling percentage was raised from 40 to 50 per cent., which still stands at the time of writing. Germany also proposes to compel bakers to utilize more rye in bread in combination with wheat flour.

France

France practically disappeared as a buyer during 1929-30, and, owing to an abnormally large crop of splendid quality, has even appeared as an exporter of wheat. In May, 1929, the French duty on imported wheat was increased from 37 to 53 cents per bushel. In December the French Government required that only 3 per cent. of foreign wheat should be mixed with domestic wheat in the manufacture of flour for ordinary purposes. France likewise provided appropriations of money in order that cash bounties might be paid on wheat exported to other countries, and this exported French wheat naturally found its way to the free markets in Great Britain. In June, 1930, the French duty on imported wheat was increased from 53 to 84 cents per bushel.

Italy

Italy, under the Fascist Government and under the direction of Mussolini, has since 1927 been endeavoring to make herself self-

sufficient in wheat production. Everything possible is being done to increase the wheat acreage; and high tariffs are provided for the protection of the Italian producer. When wheat prices were very low in May, 1929, Italy increased her import duty from about 58 to 73 1/2 cents per bushel, and the duty on flour was raised proportionately. On June 5, Italy again increased her wheat tariff to 84 cents per bushel.

Other Countries

A Federal Grain Board was established in March, 1929, in Switzerland. The purpose of this Board is to encourage the production of grain in Switzerland and to maintain adequate supplies of foreign grain without unduly increasing the cost to the consumer. Including bonuses over the world market price, the milling bounty, and a reduction in freight rates, together with the storage costs, it is estimated that the Federation will be required to meet a bill of approximately \$3,000,000 per year. It is reported that Roumania intends to reduce her export duties. Hungary has made a deal with Italy, favorable to exporting to that country. Yugoslavia is to continue preferential freight rates and open a Central Export Institute. In November, 1929, the Polish Government introduced an export bounty of 18 cents per bushel on wheat and 17 cents on rye. A syndicate of agricultural organizations has been formed for exporting grain, and Poland has entered into an agreement with Germany for controlling rye exports. In 1929 the Union of South Africa produced a crop about sufficient for domestic requirements, and in March, 1930, a wheat importation restriction act was agreed to. New Zealand in 1927 made a sliding scale import duty, operative on wheat, it being the declared policy of the Government that New Zealand should, if possible become independent of outside supplies. In Czechoslovakia import certificates tend, as in Germany, to facilitate the export of domestic wheat from local surplus-producing areas, and it is reported by the United States Department of Commerce, at the time of writing, that the Government of Czechoslovakia has had under consideration a measure limiting the use of wheat flour in baker's bread to 10 per cent., the balance being rye. A bill has been submitted providing for a sliding scale tariff on wheat and rye, while the minimum duty on wheat now is equivalent to about 24 cents per bushel. In Esthonia a bill had been prepared in April, by which all persons importing wheat, rye or flour, would be required to purchase from domestic farmers, or co-operatives, wheat and rye at prices and on conditions fixed by the Government, and which would bear a certain relation to the quantity of rye, wheat and flour to be imported. The Australian Government is urging an increased wheat acreage and has offered a compulsory wheat pool under a Commonwealth Board fortified by a guaranteed price of about 96 cents per bushel for the coming crop. Austria has a duty on foreign wheat of 11 cents per bushel.

The Netherlands, Norway and Denmark admit wheat and flour free of duty. Belgium also charges no duty, but has introduced the licensing of imports as a protective measure.

The United Kingdom

With reference to the United Kingdom, we quote again from the official statement issued by the Central Selling Agency some time ago:—

“The only buyers of wheat this year whose purchases have been fairly well up to their estimated requirements are the buyers of the United Kingdom, where the domestic wheat crop, although the quality was above the average, furnished only about a fifth of their requirements. However, while the U.K. bought nearly their normal quantity of wheat, the percentage of Canadian wheat has been the lowest since Canada became a factor in the wheat export trade of the world. There were two main reasons for this: They could buy Argentine wheat, the highest quality ever exported from that country at prices very far below Canadian wheat, and the bakers found that the consuming public would accept a poorer quality of bread than they had thought would be put up with.

“Our wheat during August, September, October, November, December and most of January, was at luxury prices compared with other wheats. With the exception of Scotland and Switzerland, we were trying to sell comparatively high-priced wheat to countries eating low-quality bread. For months at a time our No. 1, 2 and 3 Northern were from fifteen to twenty-five cents a bushel higher than Rosafe. As the natural consequence the U. K. percentage of Canadian wheat, which was about fifty per cent. in the fall of 1927 dropped to about ten per cent. in December, 1929. While the percentage of Canadian wheat in U. K. flour has been increased recently, the millers there are increasing the quantity of our wheat very cautiously for fear that parity prices might be run up again, when they might have some difficulty with the consumers if the quality of flour was again reduced after they had improved it with Canadian wheat. Millers are buying from hand to mouth, only buying when the baker buys, and this attitude exists in practically all importing countries. The grain merchant who formerly carried large supplies is rapidly disappearing in the Old Country.”

Russia

We quote also from the statement of the Central Selling Agency with respect to Russia:—

“Conditions in Russia are so confused and so many conflicting reports have come from that country about the progress made in mechanizing farms and persuading peasants to join up with the collectivized farms, that it is impossible to make any estimate as to the increase in acreage and the probable increase in exports of Russian wheat as the result of the government's aggressive wheat

production policy. We do know that many trainloads of tractors have been imported into Russia, and considerable progress made in manufacturing tractors in Russia, and that there is a substantial increase in the land sown to wheat this spring, with the possibility of a large surplus for export to world markets next fall."

Likewise, with respect to Russia, we quote from a statement issued in May by the United States Department of Agriculture as follows:—

"The Russian Government is in a position to dump wheat on the world markets whether or not that country has an actual surplus of wheat. Since the Russian wheat crop of 1929 was estimated to be less than that of 1928, when no wheat was exported, it might be assumed that Russia had no exportable surplus. However, some wheat has been exported. The exports are apparently due to the fact that the government has been unusually successful in its grain collection program and to a more favorable distribution of the export crop. Large crops of other grains were harvested and the country seems to be in need of making foreign sales to improve its exchange position for purchasing goods in other countries."

Need for Co-operation

It has been well said by Messrs. McPhail and McIntyre, in the statement from which we have made several extracts, that: "If ever there was a time when the farmers of Western Canada should stand solidly behind their co-operative marketing associations that time is the present. Hard times are testing times. The membership is more united than ever before. New members are joining in large numbers. The farmers of Western Canada, once having put their hand to the plow, will never turn back. They will continue to go forward until they have complete control over the merchandising of their wheat and other products. They will do so, not because of any spirit of animosity towards any other class, but for the simple reason that it is good business, and in keeping with the trend of modern business and social relationships."

The world situation provides more arguments for co-operative grain marketing in Western Canada today than ever before. Trade in wheat is being subjected to the same forces of economic change which have created such progress and such havoc in all industrial countries. For a hundred years the British Grain Trade was a bulwark of British commercial leadership. That leadership is threatened and the former enviable position of the Trade is gone. World forces are at work which are organizing and speeding up the processes of production and distribution. The individual farmer and the individual merchant are helpless before this onslaught of changing conditions. Agriculture, as well as industry, must change its methods, and the Wheat Pools of Western Canada are emblematic of this change. There is no royal road to prosperity for agriculture, but whatever the road it will be by organization; and of all forms of organization, Co-operation, which means working together for mutual helpfulness, is the most likely.